



# Westpac culls underperformers

## Financial Services

Katja Buhner and Jane Searle

Westpac Banking Corp has cut its broker network after tightening the accreditation process to weed out underperformers.

As part of a rationalisation that started three months ago, the bank has forced brokers to reapply for accreditation, culling those mortgage brokers that wrote insufficient loans or failed to meet the revamped criteria.

Tougher rules come as industry speculation mounts that Westpac is about to cut its broker network by a third, which some speculate reflects an attempt to preserve margins and contain mortgage growth.

The bank is expected to reduce the number of broker groups it uses to sell home loans from 87 groups to 60.

Westpac spokeswoman Jane Counsel said the bank had reduced its broker relationships as part of a tightening of its accreditation process and continued to look at the structure of its broker network, but did not have any impending plans.

The move comes as banks face pressure to keep headline mortgage rates close to official interest rates, prompting lenders to seek alternative measures to claw back

margins. Rather than angering politicians by raising mortgage rates in response to higher funding costs, banks are reducing the discounts they apply to favoured borrowers.

Firstfolio chief executive Mark Forsyth said prior to the financial crisis, borrowers were eligible for discounts of up to 1 percentage point on a standard variable home loan of around \$500,000. This discount had since halved in most cases, he said.

Mr Forsyth said tighter credit criteria among the Big Four banks had prompted non-banks to increase lending to property investors and reclaim market share.

Australian Finance Group, one of the largest brokers in Australia, said the share of mortgages provided by major banks had fallen to 83 per cent in February, with second-tier lenders making up 17 per cent of new loans, more than double the proportion a year earlier.

AFG general manager of sales and operations Mark Hewitt said smaller lenders were aggressively returning to the market as funding freed up and some of the majors limited lending.

Mr Hewitt pointed to Suncorp, ING and AMP as those lenders that had been most active in increasing lending and recouping market share.